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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 000633

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SUBJECT: TURKEY: GOT REQUESTS USG SUPPORT ON "TRNC"
ANTI-MONEY LAUNDERING EFFORTS

Classified By: PolCouns Janice G. Weiner for reasons 1.4(b) and (d)

¶1. (C) SUMMARY: The GOT is concerned that Greek Cypriot efforts to block engagement of Turkish Cypriot Authorities by the OECD's Financial Action Task Force (FATF) of Turkish Cypriot authorities under the guise of "recognition" concerns threatens to further isolate economically and financially the "TRNC." MFA officials note "TRNC President" Talat and his administration take seriously their responsibilities to counter money laundering and have prepared legislation that further addresses concerns outlined by the FATF regarding banking, off-shore banking, and casinos. However, ROC officials have, according to Turkish MFA, weighed in via the Greek Cypriot Vice President of MONEYVAL to block FATF efforts to further investigate or otherwise engage with "TRNC" officials. At the same time, the FATF released a public warning to financial institutions doing business with counterparts in northern Cyprus due to deficient anti-money laundering and counter terrorist finance efforts. GOT officials fear the ROC will seek to continue to support this deadlock as a means to pressure and further isolate the Turkish Cypriot half of the island. Aside from the FATF issue, GOT officials are pleased about the April 3 opening of the Ledra Street crossing, encouraged by the positive remarks by UN Under Secretary General Pascoe regarding the willingness of both sides in Cyprus to resume serious comprehensive settlement negotiations, and look forward to Pascoe's April 8 visit to Ankara. Separately, MFA U/S Apakan expressed concerns regarding Cyprus negotiations that, for him, call into question prospects for the process. He nevertheless looks forward to Pascoe's impending visit and said the GOT remains intent on staying fully engaged in the effort to achieve a comprehensive settlement. END SUMMARY

¶2. (C) MFA Deputy Director General for Cyprus and Greece Kerim Uras convoked us April 3 to convey concerns regarding the Department's human rights report on Greece (septel) and regarding the stalled FATF investigation of the "TRNC." Uras said "TRNC President" Talat takes seriously the criticisms of the OECD and others in the international community of T/C oversight of its financial sector with regard to money laundering and terrorism financing. For that reason, Talat's administration had adopted legislation in October 2007 to bring "TRNC" practices into line with the international community's expectations and had prepared additional legislation to further address concerns about the banking, offshore banking, and casino industries in northern Cyprus.

¶3. (C) In a two-page document given to us (scanned and conveyed to EUR/SE and Embassy Nicosia), Uras noted the investigation initiated by the FATF in February 2007 had been stopped as a result of action taken during a meeting of the FATF's International Cooperation Review Group held February 25-29, 2008 in Paris. As described by the GOT, during that

meeting, a MONEYVAL representative contested the European Commission's approach of working cooperatively with the "TRNC" on the issue, noting that references made in the Turkish Cypriot Action Plan to ministries, assembly, etc. improperly implied indirect recognition of an illegal regime. As a result, the FATF investigation was stopped at the suggestion of French and British representatives.

¶4. (C) FATF decided at the same meeting to issue a public statement warning the international financial community to exercise caution in its dealings with financial institutions in northern Cyprus which may not be applying appropriate anti-money laundering and counter terrorist financing measures. Uras expressed concern that Greek Cypriot officials may continue efforts to block FATF engagement with "TRNC" officials to prolong Turkish Cypriots' economic isolation. He called on all FATF members to "adopt a more fair and objective approach in the coming plenary of the FATF to be held in June." He emphasized that the GOT hopes the USG especially will be more supportive of efforts of the FATF to engage with "TRNC" authorities on the issue.

¶5. (C) Aside from the FATF issue, Uras said the GOT is pleased about the opening of the Ledra Street crossing earlier the morning of April 3. He does not expect any other confidence building measures to be implemented between now and the beginning of comprehensive settlement negotiations later this summer, but the GOT hopes those negotiations will begin according to the agreement between Christofias and Talat. Uras said it appeared UN Under Secretary General for Political Affairs Lynn Pascoe had been favorably impressed by the expressed intent by leaders on both sides of the island to engage seriously in comprehensive settlement talks. GOT officials look forward to Pascoe's April 8 visit to Ankara,

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which falls between his stops in Athens and Moscow. Although recent statements by Christofias alluding to the Greek Cypriots wanting to find "a Cypriot Solution" and not wanting "too much UN involvement" in the negotiations were troubling, Uras said it remains clear successful talks will require heavy lifting by the UN and others in the international community. He added the GOT looks forward to learning who the USG may nominate as its special envoy once the process starts in earnest. The GOT hopes the U.S. will be able to bring some pressure to bear on the ROC to ensure the Greek Cypriots remain engaged seriously in the process now that the EU has effectively surrendered its ability positively to influence Greek Cypriot behavior.

¶6. (C) As the parties prepare to engage again in settlement talks, Uras said the GOT is concerned that important players assume the objective and even-handed roles they have played in the past. He referred to a statement made in February by Department spokesman Sean McCormack that made reference to "President Christofias and "TRNC" leader Talat which had caused some concern in Ankara because of the asymmetrical treatment. He asked that we adhere to prior practice in UN documents that refer to them as "the 2 leaders" or "Mr. Christofias and Mr. Talat."

¶7. (C) In a separate meeting on April 2, MFA U/S Apakan shared with Ambassador three concerns he has regarding Cyprus negotiations at the moment:

- The papers provided by the G/C side on establishing technical committees and working groups for the three-month negotiations under the Gambari/July 8, or as the Turks are calling it the "March 21", process are exactly the same as those last provided under the Papadopoulos administration which caused Talat and the Turkish Cypriots problems. G/C negotiator Iacovou reportedly said he had told assistants in his office to "revise them" but it had not happened. Apakan was dubious.

- The GOT and Turkish Cypriots do not want to lose entirely

the progress that has been achieved in UN-brokered negotiations over the past three decades. Apakan said the way Iacovou has spoken recently, the Greek Cypriots appear to want to go back to the state of play when negotiations were initiated in 1977-78, disregarding the subsequent 30 years of talks.

- The Turks are aggravated about P-5 work on Cyprus in Nicosia, believing some P-5 ambassadors there provide unhelpful guidance to SRSg Moller. According to Apakan, at play is the good offices of the UN Secretary General, not of the UN Security Council. Apakan's remarks focused on the Russian and French ambassadors, not the US or UK. It was not clear if he included the Chinese in the former or latter.

The sum total of these calls into question for Apakan the real prospects for the negotiating process in coming months. Nonetheless, Apakan said the GOT looks forward to Pascoe's visit and intends to remain fully engaged in seeking a comprehensive settlement.

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